

Message Text

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PAGE 01 STATE 243437

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FOR ASSISTANT SEC ENDERS

FOLLOWING REPEAT ROME 14680 ACTION SECSTATE DTD 09 OCT

QTE

LIMITED OFFICIAL USE ROME 14680

E.O. 11652: N/A

TAGS: ENRG, IT, US

SUBJECT: BLACKMAIL AND THE PRICE INCREASE ON GASOLINE

REF: ROME 14599

1. OPPONENTS OF PROPOSED HIKE IN ITALIAN PETROLEUM PRODUCT PRICES ARE LEAVING FEW UTONES UNTURNED IN THEIR EFFORT TO DISCREDIT THE OIL COMPANIES AND GENERATE POLITICAL PRESSURE AGAINST RATIFICATION OF PROPOSED INCREASE. IN OCTOBER 11; 3\$8589,, INFLUENTIAL, LEFT-ORIENTED NEWSWEEKLY L'ESPRESSO ADANCES THEORY THAT INCREASE STEMS FROM BLACKMAIL APPLIED BY EXXON NEW YORK OFFICIALS DURING SEPTEMBER MEETING WITH MINISTER OF INDUSTRY DONAT CATTIN COLLABORATOR AMMASSARI (MINISTRY OF INDUSTRY DG FOR ENERGY SOURCES AND HEAVY INDUSTRY). ACCORDING TO L'ESPRESSO, DURING LONG CHAT ON ITALIAN PETROLEUM MARKET AND SITUATION OF EXXON'S ITALIAN SUBSIDIARY ESSO
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PAGE 02 STATE 243437

ITALIANA, EXXON OFFICIALS PRESENTED AMMASSARI WITH ULTIMATUM

THAT UNLESS GOI-FIED PETROLEUM PRODUCT PRICE MAXIMUMS WERE INCREASED TO POINT PERMITTING OIL COMPANIES TO MAKE A PROFIT, EXXON WOULD PULL OUT OF ITALIAN MARKST.

2. OFFICIAL USG PRESSURE IS ALSO FACTOR, ACCORDING TO L'ESPRESSO AND IS LINKED TO USG SUPPORT FOR ITALY'S NUCLEAR PLAN THROUGH THE US-ITALY BILATERAL ENERGY WORKING GROUP (EWG). IN SUPPORT, L'ESPRESSO QUOTES FROM GOI BRIEFING PAPER PREPARED FOR EWG AND CONCLUDES THAT USG IS REFUSING TO ACT ON GOI REQUESTS UNLESS MEASURES ARE TAKEN TO IMPROVE OIL COMPANY PROFITABILITY.

3. COMMENT: EMBASSY UNABLE TO CONFIRM EXXON'S ALLEGED PRESENTATION TO AMMASSARI, BUT LOCAL ESSO OFFICIALS HAVE PUBLICLY STATED THAT ESSO ITALIANA'S CONTINUED PRESENCE IN ITALIAN MARKET DEPENDS ON CONDITIONS PERMITTING CHANCE OF PROFITABILITY. ESSO'S PUXLIC TANCE NOTWITHSTANDING, ESSO HAS NO REALISTIC ALTERNATIVE TO REMAINING IN ITALIAN MARKET IN ABSENCE OF A POTENTIAL BUYER. IN ANY CASE, INDUSTRY CALCULATES THAT PROPOSED PRICE RISE WILL BE INSUFFICIENT TO RESTORE PROFITABILITY (SEE REFTEL). AS FOR EWG CONNECTION, L'ESPRESSO'S CASE IS WEAKLY DOCUMENTED. ALL THE STOPS ARE BEING PULLED OUT. OLPE UNQTE KISSINGER

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